

## **"The Top Seven Things Investors Look For"**

by Paul Hynek, President, Duborne Corporation

No two investors are the same, but shared by many investors are key elements that they look for when deciding to put money in a start-up company. These are what I've found to be the Top Seven.

### **7. Exploding Market Segment**

Go with the tide. If you're in a market that's growing, there are plenty of opportunities. Your vendors and clients will tend to be adequately financed, causing you less problems. And investors will be more excited about your company from the very first meeting.

### **6. Differentiated Offering**

It's not enough to just be riding the wave, you need to provide a different solution to some market pain. Are you better, faster, and/or cheaper? Will your clients or customers see you as different enough to buy a new product or work with a new company?

### **5. Sustainable Revenue Model**

Now that you're in an attractive industry, with a unique product / service, do you make money on each sale? Can you "scale" up to large volumes and become more profitable with larger volumes?

### **4. Killer Management Team**

All of these combined aren't as important, however, as having a strong management team. Businesses evolve over time, and if management can't adapt, nothing else matters. Good management can make a bad idea work, but bad management can drive a good idea into the ground.

### **3. Ready Access to Capital**

Few companies need just one investment. Almost every company needs ready access to capital of some kind to finance operations, allow for growth, etc. This doesn't necessarily need to be subsequent investment, but could be a loan, or better yet, a line of credit.

### **2. Return on Their Investment**

It sounds obvious to say, but investors want to make money. Much too often entrepreneurs talk only about how great their product and company is, but don't really know how much money they need to operate, much less what terms are appropriate, and when they can get the investor's money back to him, with what kind of return.

Better to say something like "We're seeking \$500,000 in five units of \$100,000 at a \$2,000,000 pre-money valuation. We anticipate selling the company / going public / generating enough money to start paying dividends by the end of Year 3, and plan to provide a return to investors of a minimum of 30% annualized interest. Our company is in nanotechnology, we have a patent-pending technique for creating molecular motors with an estimated gross profit of 45%, and we have a management team of top scientists and executives." The exact details will vary of course, but the point is to focus first on what the investor wants to hear, then on the company.

And the most important thing is...

## **1. Passion**

That's right, passion. Not business school savvy, not connections, not even experience. Just plain passion. Without it, you'll give up. You won't put in those long thankless hours in the middle of the night that will spell the difference between giving up and coming up with your next great idea. For many investors, if you're not so excited about your business that you can't sit still - why should they be excited enough to risk their money on it?

Passion will overcome the other six items on this list, but all of them combined won't overcome a lack of burning desire. It's an entrepreneur's most important asset.

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